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Title: New service puts ad auction, search engine under one roof.

Subject(s): INTERNET advertising; AUCTIONS; GOTO.COM (Company)Source: Electronic Advertising & Marketplace Report, 04/28/98, Vol. 12 Issue 8, p6, 2p

Abstract: Examines the advertising auction operations by Monterey, California-based *GoTo.com*. Company's combination of a search engine with an advertising auction; Offer of more traditional advertising programs such as banner advertisements and offer of more relevant search data for consumers; Advertising fees.

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## NEW SERVICE PUTS AD AUCTION, SEARCH ENGINE UNDER ONE ROOF

After dismal failures such as AdBot (EAMR, Dec. 24, 1997), advertising auctions appear to be making a comeback. Startups such as FlyCast (EAMR, Dec. 9, 1997) and Adauction.com (EAMR, Feb. 24) are flourishing, and now Monterey, CA-based startup *GoTo.com* hopes to change the problems auctions have had by combining a search engine with its advertising auction.

*GoTo.com* (www.goto.com) allows Web users to conduct a search much as they would on Yahoo! or Excite, but with a twist: it lets advertisers pay for their ranking in the search results, rather than providing random results determined by keyword density or a random algorithm. The auction is continuous, and advertisers are notified via e-mail if they are outbid and consequently moved down a notch on the search results. There is no baseline bid; advertisers may bid a penny-per-clickthrough and go up from there.

Advertisers also pay a one-time fee of \$10 for a customized description they want featured in the search result, rather than the random sampling of phrases from the site's homepage that other search engines provide.

Since its launch Feb. 21, *GoTo.com* has attracted more than 1,000 advertisers, including iVillage's The Women's Network, Gamespot, ABCnews.com, The Mining Company, NFL.com, CitySearch, eToys and ESPN SportsZone. *GoTo.com* currently averages 7 million page views per month, up from 5 million at launch.

A Better Idea?

*GoTo.com* believes its model yields more relevant search data for consumers, according to chief executive officer Jeffrey Brewer, a cofounder of CitySearch. "The current palate of search offerings aren't serving online users well," said Brewer. "There's too much junk, too much irrelevant information. The major search engines are highly undifferentiated."

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*GoTo.com* also departs from the normal adsupported model by listing the price advertisers are paying for clickthroughs next to each listing. For example, a search using the keyword "cars" yields Toyota.com as the first result. Next to the Toyota URL is "\$0.02," the price Toyota is paying per-clickthrough. Advertisers need to pay out a minimum of \$25 for their search listing to *GoTo.com* over the duration of a campaign.

Brewer said *GoTo.com* lists the ad price so that consumers understand the search results they see first have paid to be listed first. "We're being honest with consumers. This is a controversial business model and people are OK with it as long as we're up front," Brewer said. Even advertisers have accepted the business model. "Advertisers were reluctant at first, but they accept it in return for a cost-per-sale pricing model," he added.

*GoTo.com* also offers more traditional advertising programs such as banner ads, which cost \$24 CPM for standard rotation, and \$40 CPM for targeted rotation, which combines keyword and fixed-position rotation.

While *GoTo.com* is not yet profitable, Brewer said the company is not hurting for cash. The company just completed a round of financing from private investors in the \$5 million range, and Brewer said GoTo should not have to seek out additional investment.

The 30-person company is a division of idealab!, a self-described "Internet incubator," which has helped launch more than 20 Web businesses, including CitySearch, Tickets.com and IntraNetics.

#### Will Advertisers Buy This Premise?

At least one advertiser is thrilled with *GoTo.com*. PhotosToGo.com, an online photo service, received thousands of visits from the search engine during its first week listed on the service. ""*GoTo.com* has worked so well for us we only use them and AskJeeves anymore," said PhotosToGo chief executive officer Bahar Gidwani. "People using *GoTo.com* are more sophisticated about the Web, they don't want to waste time looking through 50 trashy sites to get what they want."

Gidwani also sees *GoTo.com* displaying the price of the listing as a plus, rather than an annoyance. "That's useful information, it shows you who's a serious player in this market," he added.

#### Will Advertisers Buy This Long Term?

Banner ads may hold value as brand builders, but with average clickthrough rates flat at 2% for the past three years, they aren't doing the job as traffic generators. Enabling advertisers to pick how their listing result comes up in a search is a great idea, but it remains to be seen how much more efficient GoTo's search capabilities are over the established giants.

Many advertisers still buy space according to the site's brand, and as a startup, *GoTo.com* is up against steep competition. *GoTo.com* is automatically popular because of its pay-persale model, but it will need to provide advertisers with steady traffic over the long haul if it hopes to steal market share away from the big boys.

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